NPTA MANAGEMENT NEWS DECEMBER 1990

MN

Michael K. Olthoff

NPTA's New Chairman of the Board

MN
NPTA MANAGEMENT NEWS

VOL. XXXI/NO. 12

Published by
National Paper Trade Association, inc.

Publisher
William H. Frohlich

Editor
Joan Prevete O'Donnell

Contributing Editors
John J. Buckley
George Cain

Production Manager
Donn Shepherd

Advertising Manager
Joseph Fierro

Advertising Sales Representative
James S. Forberg

Advertising Coordinator
Mary Jo Heidepriem

Art Director
Dagfinn Olsen

Executive Committee of the Board of Directors
Chairman of the Board
Michael K. Olthoff
Vice Chairman
Jonathan O. Bloom
Vice Chairman
Brent R. Grover
Treasurer
S. Tucker Jones III
Past Chairman
James J. Swearingen

Ex Officio
President
John J. Buckley
Counsel
Michael B. Weir

BPA
readex
N·A·W

NPTA Management News (ISSN 0739-2214) is published monthly by the National Paper Trade Association, inc., at a subscription rate of $15 per year. Second-class postage PAID at Great Neck, NY, and additional mailing office. POSTMASTER: Send address changes to *NPTA Management News*, 111 Great Neck Road, Great Neck, NY 11021. 516-829-3070.
Statements of fact and opinion are the responsibility of the authors alone and do not imply approval on the part of NPTA or its member companies. Copyright 1990 by the National Paper Trade Association, inc. Articles may not be reprinted without the publisher's permission. Please address all inquiries to the Editor. Original manuscripts and letters are welcome.

CONTENTS

New NPTA Chairman Michael K. Olthoff

FEATURES

12 **Merchants Expect Lower Growth In '91**
by William H. Frohlich
Concern about the economy, energy costs, competition and customer needs make paper and plastics distributors cautious about the year ahead.

16 **Pilot Tests Verify Effectiveness of Product Training**
by Steve Yeast
More than 12 distributors have helped fine tune NPTA's new 10-module program, now ready to order.

18 **Michael K. Olthoff: NPTA's New Chairman of the Board**
Olthoff, chief executive officer of Nichols Papers and Supply Co., Muskegon, MI, is ready to take on new challenges as the Association's top officer during 1991.

22 **Olthoff New NPTA Chairman; Board Members Elected**
These industry leaders show their commitment to the industry by volunteering their time to many worthwhile projects.

24 **Base Sales Comp Programs on Business Objectives**
by Robert Conti
Your sales compensation plan can help your company reach its corporate destination.

28 **Lifelines For Family Business Survival**
Estate planning advice and a list of institutes and consulting firms can help your family-owned firm thrive.

30 **Upscale Supplies Help Lure Tenants, Guest**
by Joan Prevete O'Donnell
In this period of empty offices and hotel rooms, premium towels and soaps for restrooms can help facilities owners attract and keep demanding customers.

DEPARTMENTS

4 **Viewpoint**
6 **Paper Clips**
7 **Industry Watch**
10 **Guest Columnist**
32 **The Sales Professional**
36 **Ad Index**
37 **Environmental Action**
38 **Databank**

Cover Photo: Tourcotte

Merchants Expect Lower Growth In '91

Concern about the economy, energy costs, competition and customer needs make paper and plastics distributors cautious about the year ahead.

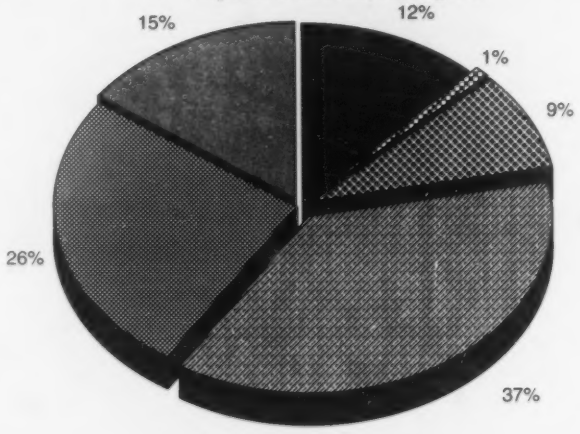
by William H. Frohlich, Publisher

Approximately three-quarters of those responding to the *Management News* magazine 1991 Business Conditions Reader Survey expect real growth in their regions (taking out inflation) to be less than 6% next year. Nearly half said it would be under 3%.These results (see Chart #1) show a downward trend from last year's prediction, when less than two-thirds of merchants told *MN* they expected 1990 to evidence real growth of up to 6%.

This is a significant shift in merchant outlook brought about by changing industry and world conditions.

MN's 1991 Business Conditions study was designed to give readers a first-hand view of industry perceptions. A mailed survey to a cross-section of 1,000 *MN* readers yielded 231 usable responses. Statistical analysis was performed by Healy & Associates of Portsmouth, NH, which reported that the response rate was sufficient to provide meaningful data.

Chart #1: NPTA MN SURVEY: 1991 Business Conditions Expected Growth In Region



Demographics of Respondents

The readers who responded to *MN's* survey accurately reflect the industry's make-up: 40% dual, 32% industrial paper, plastics and allied products, 24% printing paper and 4% identified as "other." Approximately two-thirds hold management positions, the rest sales.

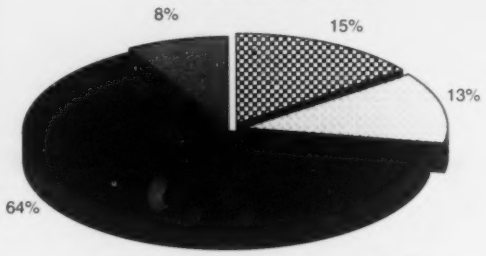
In terms of company size, half of the respondents work for companies with less than 50 employees, 29% in companies with 50-100 people and 19% for companies with more than 100 employees. Sixty-nine percent of respondents reside in the Northeast, Southeast and Midwest. These various demographic characteristics are very similar to last year's report and so comparisons may be made with the predictions readers offered in 1989.

How Confident Are They?

Last year, when *MN* asked how sure readers were about their predictions for the coming year, 81% gave a positive response. This year things are different.

Not only were the predictions lower for 1991 growth, but readers felt less confident that their "best guess" would come to be. As you can see in Chart #2, a little more than two-thirds of respondents are sure of their opinion. Com-

Chart #2: NPTA MN Survey: 1991 Business Conditions Respondent's Confidence In Predictions Of Growth



% of Respondents Rating: 1= Not Sure 10 = Very Sure

Not Sure (1-4) | Sure (6-8)
50/50 (5) | Very Sure (9-10)

pared to last year at this time, that is more than a 10% drop.

The interesting question to ask is "How accurate were readers' predictions last year at this time when we asked readers about 1990?" The answer to this will help predict whether this year's analysis holds any promise of accuracy.

According to George Cain, NPTA's director of research, "We are in an industry where 75 - 85% of our sales number reflects the cost of goods sold. Real growth is growth compared to changes in producer prices, not changes in general inflation rates. 1989 saw the end of a long period of producer price increases. Last year's estimates may have been based on expectations of continued producer price inflation, and these estimates proved to be too high. This year's lower estimates may reflect 1990's producer price changes, so they will likely be more accurate," he said.

"Through August, 1990, printing papers show less than 2% growth over a 2% decrease in cost of goods, for a likely net increase in volume of about 4%. 1991 may show a slightly lower rate, particularly if the economy sours. But printing papers have traditionally had a 2 - 4% growth rate after factoring out changes in producer prices.

"Industrial paper goods through August of 1990 show more of a slowdown, with minimal sales increases of .06%, combined with increases in producer prices of 1.2%, for a net decrease of about 1.1%. However, this is not much different than in the past, when sales increases in dollars generally reflected changes in producer prices," said Cain.

Another interesting difference

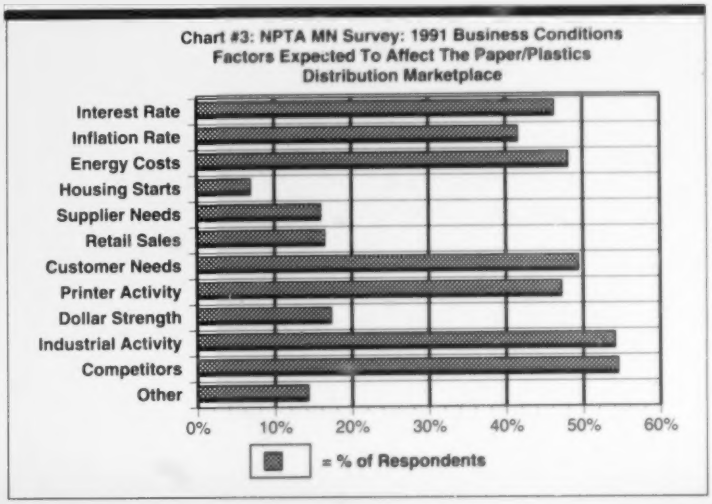
(Continued on page 14)

10 Things You Should Do In Tough Economic Times

by Dr. Albert D. Bates

$ Develop contingency plans that will enable you to cut expenses if sales fall 10%, 15% or even 20%.
$ Defer capital investments unless the hard dollar cost savings provide a payout in less than nine months.
$ Do not use short-term borrowing to finance long-term capital investments.
$ Identify where your competitors are weakest and attack them on this front.
$ Increase your spending on sales training. In a slow growth environment, market share management is essential.
$ Determine how much of a price reduction you can afford to make before you are better off passing on business.
$ Identify the top 20% of the accounts you deal with. Personally contact every one of them to help cement the business one on one. Don't rely solely on your sales force at this time.
$ Re-think sources of supply on daily purchases, such as office supplies. Warehouse clubs and office super stores offer some outstanding values if you shop.
$ Re-think the services you provide to customers. Are there some expensive services that customers don't really need? Are there some inexpensive services that should be provided? Is everybody smiling and saying thanks?
$ Maintain a positive attitude. Make sure everybody in the company understands the challenges but also fully appreciates the opportunities that can be won with a team effort.

(Dr. Albert D. Bates is president of Profit Planning Group, a financial management consulting firm based in Boulder, CO.)



between last year's survey and this one involves the forecast of those in management versus those in sales. Last year, sales people were more optimistic about the future than management was. Now, sales people are slightly less optimistic about the year ahead.

More Factors Will Affect Market

Readers also were asked to reveal what they maintained were the most influential factors likely to affect the marketplace in 1991. Respondents pointed to industrial activity and competition as the major factors. (See Chart #3.) Also of significant importance were customer needs, energy costs, printer activity and interest rates. Interestingly, last year's study also showed the importance

In Their Opinion

Here's a sampling of what survey respondents maintain are their greatest business concerns for 1991:

"There is an increased number of management people who do not understand our business. Harvard School of Business is what they understand, not the customer."
(A salesperson in a dual firm based in the Midwest)

"More and more businesses are on `thin ice.' Merchants must really scrutinize credit."
(An executive with an industrial paper merchant based in the Southeast)

"Mills are willing to franchise anybody anywhere, rather than adequately support good distribution."
(A salesperson in a dual firm based in the Midwest)

"Hopefully business will turn (for the better during) the second half of '91. However, we are making adjustments in our expenses to offset what appears to be a flat year ahead."
(An executive with a printing paper merchant in the Northeast)

"It could be a good year if competition wises up and quits selling everything on price. It think this has got to change."
(A salesperson in a dual firm based in the Southeast)

"The effects resulting from bank difficulties have only just begun."
(An executive with a printing paper merchant in the Northeast)

"There's a lack of loyalty to the merchant who works hard to provide information and service to the customer."
(A salesperson with a dual merchant based in the Southeast)

"Desperation-selling by weaker competition is a major concern."
(An executive with an industrial paper merchant based in the Southwest)

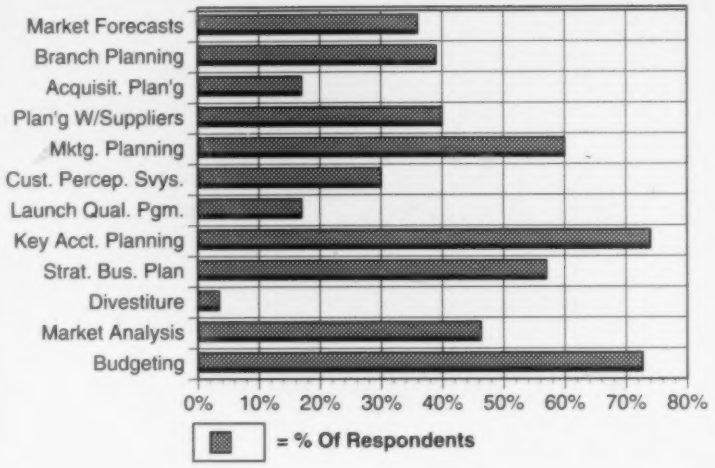
"Our organization is slow to react to market conditions."
(A salesperson with a dual merchant based in the Midwest)

"When the economy is slow, competitors do more price cutting, which results in lower gross profits."
(An executive with an industrial paper merchant in the Northeast)

"The cost of doing business has reached a level where we now have to evaluate each customer to determine whether it is profitable to continue an open account for those that only want to buy selected items or are small-order accounts. The problem we face is how do we identify the `emerging growth' clientele from the customer we choose to avoid."
(A middle manager with a dual merchant based on the West Coast)

"I hope that everyone talks optimistically! Pessimistic conversation can bring on pessimistic results!"
(A salesperson with a printing paper merchant in the Northeast)

Chart #4: NPTA MN Survey: 1991 Business Conditions
Areas For Concentration In 1991



of industrial activity and competition. However, merchants consider interest rates and inflation more important than they did last year.

The perception of the "partnership" approach to the marketplace--joining merchant with supplier--may be taking a back seat to other, more pressing problems.

Partnerships Take Back Seat

MN readers were asked to choose from a list of planning activities for the coming year to indicate how they would cope with 1991. (See Chart #4.) The leading activities for next year will likely be key account planning (up significantly from last year), budgeting, marketing planning and strategic business planning.

The interesting shift from last year's planned activities is that joint planning with suppliers dropped in significance. The perception of the "partnership" approach to the marketplace—joining merchant with supplier—may be taking a back seat to other, more pressing problems.

Although a slower growth rate is forecast by *MN* readers, the paper and plastics distribution industry will likely outpace the economy in 1991. Distribution, in general, has done so for the past 15 years, and paper and plastics distribution has been the second-fastest growing of all distribution categories during the period. There are shifts taking place in the economy and the industry. Although growth is expected to be slower, the industry is still healthy and strong. And that is something to write home about. ■

RMA/KOLKO CORP.

has acquired the assets of

THE ZIFF COMPANY

from

THE ALBERT FISHER GROUP, PLC

The undersigned initiated this transaction and facilitated Albert Fisher in the negotiations.

BEDFORD CAPITAL CORPORATION
505 Park Avenue
New York, N.Y. 10022
212-688-5700